The Colony Group

HARVARD UNIVERSITY EMPLOYEES CREDIT UNION

TAKE THE JOURNEY

WINTERSESSION 2018: PERSONAL FINANCE MANAGEMENT

January 2018

AGENDA

2

- Introduction
- The Financial Planning Process
- Personal Taxes and Tax Planning
- Risk Management and Personal Insurance
- Questions and Answers

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INTRODUCTION

3

- Founded in 1986, The Colony Group is an independent, fee-only financial advisory firm.
- We are a growing firm with offices in Massachusetts, New York, Maryland, Virginia, Colorado, and Florida.
- We have 10 offices, 140 professionals, over 2,000 clients, and manage about $7.5 billion of client assets.

OUR MISSION

TO PROVIDE PEACE OF MIND TO OUR CLIENTS THROUGH OBJECTIVE FINANCIAL ADVISORY SERVICES DELIVERED BY A TEAM OF TRUSTED EXPERTS DEDICATED TO THE HIGHEST LEVEL OF PERSONALIZED SERVICE

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MEET THE TEAM

4

PATRICK DONNELLY, CFP®
Principal & Senior Wealth Advisor

Patrick is a Senior Wealth Advisor and a Principal of The Colony Group, having brought his expertise in comprehensive financial planning to The Colony Group from Mintz Levin Financial Advisors in 2012. Patrick is a CERTIFIED FINANCIAL PLANNER™ practitioner with extensive experience in counseling high net worth individuals in all areas of financial planning, including cash flow management, investment allocation and management, retirement planning, insurance, and tax planning.

MATT ILTERIS , CFP®, EA®
Principal & Senior Wealth Advisor

Matt is a Senior Wealth Advisor and a Principal at The Colony Group. He provides comprehensive wealth management and investment advisory services, including financial planning, investment management, and tax planning, to corporate executives and high net worth clients of the firm. Matt is a CERTIFIED FINANCIAL PLANNER™ professional and an Enrolled Agent before the Internal Revenue Service.

ROBERT STELLA, CFP®
Wealth Advisor

Rob is a Wealth Advisor and CERTIFIED FINANCIAL PLANNER™ professional who spends his time counseling clients in all areas of comprehensive financial planning. Technologically savvy and entrepreneurial in spirit, Rob is dedicated to finding creative solutions for his clients as he works closely with high-net-worth individuals and families as well as busy corporate executives.

PERSONAL TAX - INTRODUCTION

5

- What's New
- Tax Calculation
- Tax Savings Tips
- Filing Requirements

"In this world, nothing can be said to be certain, except death and taxes."

- Benjamin Franklin

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PERSONAL TAX – RECENT ADDITIONS AND CHANGES

6

TAX REFORM

- On December 22nd, President Donald Trump signed into law H.R 1, known as the Tax Cuts and Jobs Act amending the Internal Revenue Code (IRC) to reduce tax rates and modify policies, credits, and deductions for individuals and businesses.
- **Most Notable Changes:**
  Income tax rates have been lowered across the board for individual taxpayers. Many deductions and exemptions have been pared back or eliminated in an attempt to simplify the IRC Code and taxpayer filing requirements.
- The new tax law dramatically reforms the taxation of businesses of all sizes. Corporations "C Corporations" will pay a tax at a flat 21% rate, down from 35%.

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PERSONAL TAX - 2018 INCOME TAX BRACKETS

7

2018 Ordinary Income Tax Rates			
Single		Married (Filing Jointly)	
$0-$9,525	10%	$0-$19,050	10%
$9,525-$38,700	12%	$19,050-$77,400	12%
$38,700-$82,500	22%	$77,400-$165,000	22%
$82,500-$157,500	24%	$165,000-$315,000	24%
$157,500-$200,000	32%	$315,000-$400,000	32%
$200,000-$500,000	35%	$400,000-$600,000	35%
Over $500,000	37%	Over $600,000	37%

2018 Long-Term Capital Gain and Qualified Dividend Tax Rates			
Single		Married (Filing Jointly)	
$0-$38,600	0%	$0-$77,200	0%
$38,6000-$425,800	15%	$77,200-$479,000	15%
Over $425,800	20%	Over $479,000	20%

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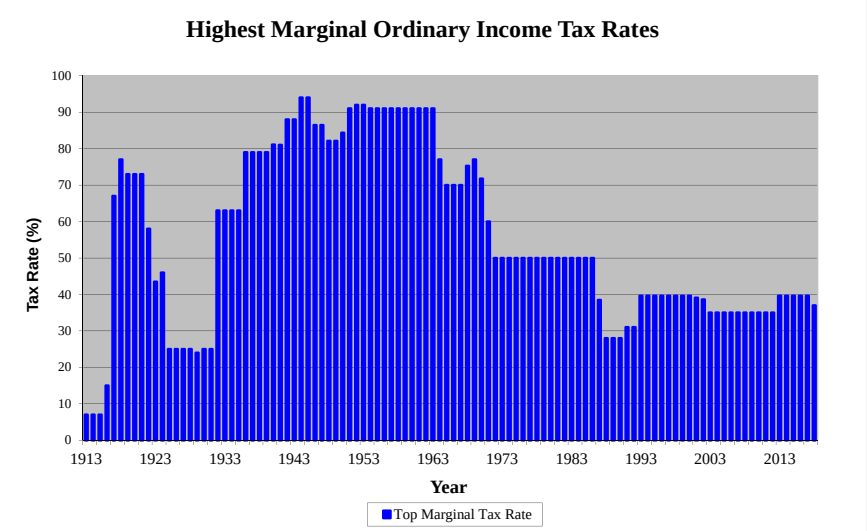
PERSONAL TAX – HISTORY CLASS

8



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PERSONAL TAX

9

CALCULATING YOUR TAX LIABILITY: GROSS INCOME

Income Tax Calculation

- $ **Gross Income**
- - **Adjustments**
- = **Adjusted Gross Income**
- - **Deductions**
- = **Taxable Income**
- x **Tax Rate**
- = **TAX LIABILITY**

Compensation (W-2)

Dividends/Interest

Capital Gains

Business profits

Alimony (through 2018)

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PERSONAL TAX

10

CALCULATING YOUR TAX LIABILITY: ADJUSTMENTS

Income Tax Calculation

- $ **Gross Income**
- - **Adjustments**
- = **Adjusted Gross Income**
- - **Deductions**
- = **Taxable Income**
- x **Tax Rate**
- = **TAX LIABILITY**

Business expenses

Losses from sales

Alimony paid (through 2018)

IRA contributions

Moving expenses

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11

CALCULATING YOUR TAX LIABILITY: DEDUCTIONS

Income Tax Calculation

$ **Gross Income**

\- **Adjustments**

= **Adjusted Gross Income**

\- **Deductions** →

= **Taxable Income**

x **Tax Rate**

= **TAX LIABILITY**

Higher of:

Standard Deduction
Single: $12,000
MFJ: $24,000

Itemized Deductions
State & local taxes (SALT)
Mortgage Interest
Charitable Donations
Medical Expenses

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PERSONAL TAX – TAKE-HOME PAY

12

CASH FLOW AND PAYCHECK ANALYSIS

Gross	**$50,000**		**$150,000**	
Federal Tax	$3,600		$25,000	
MA Tax	$2,200		$7,000	
Social Security	$3,100		$8,500	
Medicare	$725		$2,200	
401(k)	$3,000	6%	$9,000	6%
Medical	$3,500		$3,500	
Disability	$500		$500	
Life	$500		$500	
Net	**$32,875**	**66%**	**$93,800**	**62%**

Calculated using “Single” filing status

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INCOME TAX – KEEPING MORE IN YOUR POCKET

13

TAX SAVING TIPS

- **401(k):**
  - Traditional 401(k) contributions are made with pre-tax dollars (upfront tax break, taxable when distributed). $18,500 limit for 2018.
  - Roth 401(k) contributions are made with after-tax dollars (no upfront tax break, tax-free when distributed). $18,500 limit for 2018.

At the very least, contribute enough to obtain the maximum employer match, if available.

- **IRA:**
  Make a Traditional IRA (pre-tax) or Roth IRA (after-tax) contribution if circumstances warrant such a contribution. $5,500 limit for 2018.

- **Flexible Spending Account (FSA):**
  Allows employees to set aside a portion of earnings pre-tax to pay for qualified medical and dental expenses. $2,650 limit in 2018. Up to $500 carryover year to year (employer specific).

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PERSONAL TAX– KEEPING MORE IN YOUR POCKET

14

TAX SAVING TIPS

- **Transportation:**
  Employees can pay for transportation costs on a pre-tax basis, up to $150/month for a mass transit pass and $260/month for qualified parking.

- **Student Loan Interest:**
  Individuals may deduct up to $2,500 of interest paid on a qualified student loan used for higher education, subject to AGI limits ($65K-$80K for single and $135K-$165K joint filers).

- **Education Credits:**
  American Opportunity Tax Credit is available for the first four years of postsecondary education. The maximum annual credit is $2,500, generally claimed by the parents of undergraduate students, subject to AGI limits ($80K-$90K for single and $160K-$180K for joint filers.)

- **Massachusetts Rental Deduction:**
  Limited to 50% of the rent paid to a landlord up to $3,000 for your primary residence.

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INCOME TAX – FILING REQUIREMENT

15

ENFORCEMENT IN A "VOLUNTARY" COMPLIANCE SYSTEM

- Unlike the taxing systems of certain other countries, the U.S. taxing system depends largely on voluntary compliance.
- Federal and state returns need to be filed by April, 15th (April 17th this year). Taxpayers are allowed a six-month extension to file their return. It is an extension of the time to file, NOT to pay.
- Online is easiest and inexpensive. Will pick up most deductions and relevant scenarios.
- Accountants tend to be relatively expensive, but can be helpful if your return is complicated (i.e., rental property, self-employed, etc.)

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RESIDENT & NONRESIDENT ALIENS – DETERMINING TAX STATUS

16

Nonresident Aliens

- If you're neither a U.S. citizen nor a resident alien for tax purposes

Resident Aliens

- If you meet either the *green card test* or the *substantial presence test*

Green Card Test

- If you were a lawful permanent resident of the US at any time during the year

Substantial Presence Test

- If you have been physically present in the US on at least:
  - 31 days during the current year, and
  - 183 days during 3-year period (current year and 2-years immediately preceding)

Dual-Status Aliens

- If you have been both a resident alien and a nonresident alien in the same year.

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RESIDENT & NONRESIDENT ALIENS – INCOME TAX FILING REQUIREMENTS

17

RESIDENT ALIENS – FILE FORM 1040

- Generally taxed in same manner as U.S. citizens
- Worldwide income is subject to U.S. tax and must be reported on their U.S. tax return
- Income of resident aliens is subject to the graduated tax rates that apply to U.S. citizens.

NON-RESIDENT ALIENS – FILE FORM 1040NR

- Income subject to U.S. income tax must be divided into two categories

1. Income effectively connected with trade or business in the US
   [taxed at same rates that apply to U.S. citizens and residents]
2. Income that is not effectively connected with trade or business in the US
   [taxed at a flat 30% (or lower treaty) rate]

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RESIDENT & NONRESIDENT ALIENS – OTHER FILING REQUIREMENTS

18

FORM 8938 – STATEMENT OF SPECIFIED FOREIGN FINANCIAL ASSETS

- **Unmarried and Living in US** – total assets equal more than $50,000 on last day of tax year or $75,000 any time during tax year
- **Married and Living in US** - total assets equal more than $100,000 on last day of tax year or $150,000 any time during tax year
- **Unmarried and Living Outside US** - total assets equal more than $200,000 on last day of tax year or $300,000 any time during tax year
- **Married and Living Outside US** - total assets equal more than $400,000 on last day of tax year or $400,000 any time during tax tax year

FINCEN FORM 114 – REPORT OF FOREIGN BANK AND FINANCIAL ACCOUNTS (FBAR)

- Filed with Financial Crimes Enforcement Network (FinCEN) instead of IRS
- Aggregate value of foreign financial accounts in excess of $10,000 at any time during the calendar tax year

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RISK MANAGEMENT AND PERSONAL INSURANCE

19

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HEALTH INSURANCE

20

- You can stay on your parents' plan until age 26, even if you are married, financially independent and no longer live with your parents
- Employer-provided group coverage tends to be the best solution
- HMO vs. PPO
- Review your deductible, your maximum out-of-pocket cost, and the premium

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AUTOMOBILE INSURANCE

21

College students can be covered under their parents' policy if they share the same legal address

Coverage can get expensive depending on age, vehicle, driving record, and principal garaging

Review deductibles for potential premium savings

Inquire about discounts

Good driving	Good student	Driver training	Annual mileage	Anti-theft	Etc.

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AUTOMOBILE INSURANCE POLICY

22

Auto 1 06 AUDI A4 2.0T 4D SEDAN [redacted] | Auto

Item 4: This policy provides only the coverages for which a premium charge is shown:

Coverages, Parts 1-12	AUTO 1				AUTO			
COMPULSORY INSURANCE	LIMITS	Deductible	Annual Premium	Adjusted Premium	LIMITS	Deductible	Annual Premium	Adjusted Premium
1 Bodily Injury to Others	$ 20000 per Person $ 40000 per Accident	None	$ 162	4-	$ per Person $ per Accident	None	$	
2 Personal Injury Protection	$ 8000 per Person	$ NONE ___ yourself ___ yourself and household members	$ 55		$ per Person	$ ___ yourself ___ yourself and household members	$	
3 Bodily Injury Caused by An Uninsured Auto (Compulsory Limits $20,000 / $40,000)	$ 100000 per Person $ 300000 per Accident	None	$ 14		$ per Person $ per Accident	None	$	
4 Damage to Someone Else's Property (Compulsory Limits $5,000)	$ 100000 per Accident	None	$ 224	4-	$ per Accident	None	$	
OPTIONAL INSURANCE								
5 Optional Bodily Injury to Others	$ 100000 per Person $ 300000 per Accident	None	$ 93	2-	$ per Person $ per Accident	None	$	
6 Medical Payments	$ per Person	None	$		$ per Person	None	$	
7 Collision	Actual Cash Value *	$ 1000	$ 318	8-	Actual Cash Value	$	$	
8 Limited Collision	Actual Cash Value	$	$		Actual Cash Value	$	$	
9 Comprehensive	Actual Cash Value	$ 1000	$ 103	3-	Actual Cash Value	$	$	
10 Substitute Transportation	Up to $ 15 a day, maximum $ 450	None	$ 16		Up to $ a day, maximum $	None	$	
11 Towing and Labor	Up to $ for each disablement	None	$		Up to $ for each disablement	None	$	
12 Bodily Injury Caused by An Underinsured Auto	$ 100000 per Person $ 300000 per Accident	None	$ 23	1-	$ per Person $ per Accident	None	$	
MERIT RATING PLAN	Premium Adjustment	$			Premium Adjustment	$		
PREMIUM (per AUTO)	AUTO	$ 1008	22-		AUTO	$		
TOTAL PREMIUM (POLICY)	* INCL WAIVER OF DED					$ 22.00-		

DISCOUNTS	Account	Age 65 & Older	Annual Mileage	Anti Theft	Good Student	MCD	Shop Smart	Student Away	Motorcycle Training	Pay Plan	Smart Driver	Clean in 3
AUTO 1	6%			20%								
AUTO												

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PROPERTY INSURANCE

23

- Renters, Condo, and Homeowners
- Protection of your possessions whether at home or not
- Renters Insurance is a relatively low cost way to protect your personal belongings
- If someone is injured during an accident at your home, insurance can help protect you in the event of a lawsuit
- Be sure to catalog your belongings with a digital camera

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PROPERTY INSURANCE POLICY

24

BASIC PREMIUM	ENDORSEMENTS PREMIUM	SCHEDULED PROPERTY PREMIUM	TOTAL PREMIUM	ADDITIONAL/RETURN PREMIUM
$256.00	$81.00		$337.00	

THE RESIDENCE PREMISES COVERED BY THIS POLICY IS LOCATED AT THE ABOVE ADDRESS UNLESS OTHERWISE STATED.
LOCATED AT: [redacted]
CAMBRIDGE MA [redacted]

SECTION I				SECTION II	
COVERAGE A DWELLING	COVERAGE B OTHER STRUCTURES	COVERAGE C PERSONAL PROPERTY	COVERAGE D LOSS OF USE	COVERAGE E PERSONAL LIABILITY	COVERAGE F MEDICAL PAYMENTS TO OTHERS
		$31,000	$6,200	$1,000,000	$1,000

POLICY	DED	FORM	TOWN/ROW	CONST	NO FAM	CONSTR YR	PROT CODE	TERR	NO APT
$1,000	4			FR	1		01	I00	

IN CASE OF LOSS UNDER SECTION I,
WE COVER ONLY THAT PART OF THE LOSS OVER THE DEDUCTIBLE AMOUNT.

	ENDORSEMENTS ATTACHED		LIMIT	PREMIUM
HO-0004	04-91	Contents Broad Form		(INCL.)
HO-0120	10-99	Special Provisions		(INCL.)
HO-0496	04-91	No Day Care Coverage		(INCL.)
CIC-907	04-96	Policyholder Notification		(INCL.)
HO-0523	07-97	Amendatory Nonrenewal End		(INCL.)
ACCT-CR	05-08	Account Credit 20%		$41.00-
CIC-1093	11-00	Co-Occupant Endorsement		$30.00
		[redacted]		
		CAMBRIDGE [redacted]		
CIC-2047	05-09	Identity Fraud Expense		$25.00
CIC-2090	05-11	ID Fraud Resolution Serv		
CIC-2159	05-10	Amend. Seepage/Mold Endt		(INCL.)
		Sect. I	$10,000	
		Sect. II	$50,000	

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LIABILITY INSURANCE

25

Liability coverage via automobile and property policies

Umbrella liability coverage is a relatively inexpensive way to protect yourself from a catastrophic lawsuit

$1,000,000 of umbrella liability coverage can cost as little as $150 per year

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LIFE INSURANCE

26

- Pay off debt
- Income replacement for dependents
- Funding future goals such as college education for child(ren)

WHY MIGHT I NEED LIFE INSURANCE?

HOW MUCH DO I NEED?

WHERE DO I GET IT?

- Individual vs. Group

WHAT TYPE IS RIGHT FOR ME?

- Term vs. Whole Life

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DISABILITY INSURANCE

27

WHY MIGHT I NEED DISABILITY INSURANCE?

- Your earning power is an enormous asset
- 1 in 4 of today's 20 year-olds will become disabled before reaching age 67
- 30 year-olds are three times more likely to suffer a disability than they are to die
- Disability benefits from Social Security are not enough

HOW MUCH DO I NEED?

- Typically 60% of your gross income

WHERE DO I GET IT?

- Individual vs. Group

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IDENTITY THEFT

28

$16B stolen from 15.4M U.S. consumers in 2016. 29% was tax fraud; 33% was credit card fraud.

Protect your Social Security number & account info

Shred documents containing personal information

Use strong passwords, secure websites, and private Wi-Fi. Be careful with social media.

www.annualcreditreport.com

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FOR MORE INFORMATION, CONTACT:

29

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MORE ABOUT THE CFP® DESIGNATION

30

Why choose a CFP® professional?

Working with a CFP® professional can secure your financial wellbeing, give you peace of mind, and help you reach financial planning success.

CFP® Certification Requirements

- Education
- Examination
- Experience
- Ethics
- Enforcement

How do I find a Certified Financial Planner™ professional?

- www.letsmakeaplan.org
- www.cfp.net
- www.napfa.org
- www.fpanet.org

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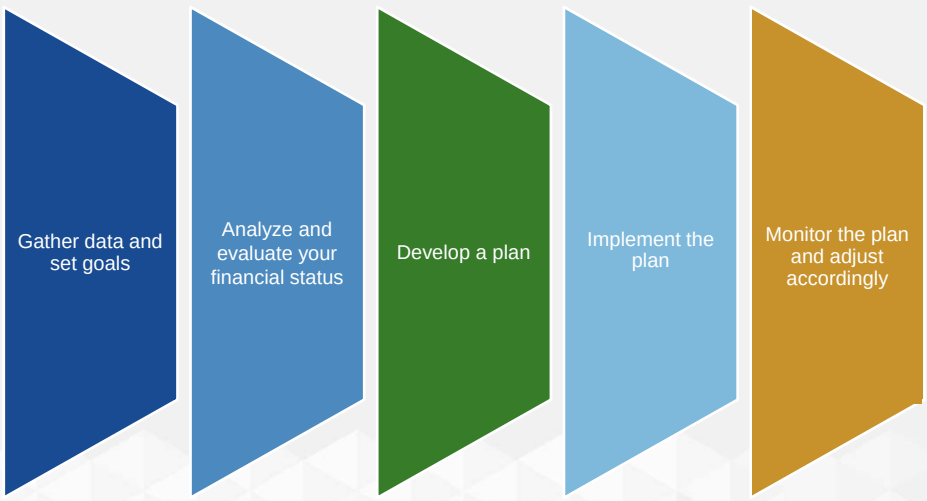
THE FINANCIAL PLANNING PROCESS

31



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DISCLOSURES

FIRM INFORMATION

The Colony Group, LLC ("Colony") is an SEC Registered Investment Advisor with offices in Massachusetts, New York, Virginia, Colorado, and Florida. Registration does not imply that the SEC has endorsed or approved the qualifications of Colony or its respective representatives to provide the advisory services described herein. In Florida, Colony is registered to do business as The Colony Group of Florida, LLC. The Firm provides individuals and institutions with personalized investment management services.

CLIENT JOURNEY - pg. 22

The Client Journey is an actual example of a financial planning experience between a Colony senior financial counselor and a particular client. It is intended to demonstrate how Colony was able to help address the client's needs. Every client has different and unique circumstances and needs, and what may have been the appropriate solution for one client may not be the appropriate solution for your particular set of circumstances. There can be no assurance that Colony will be able to achieve similar results in comparable situations.

Please note that this case study was prepared without client input and should not be construed as an endorsement or statement of the client's experience with The Colony Group.

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